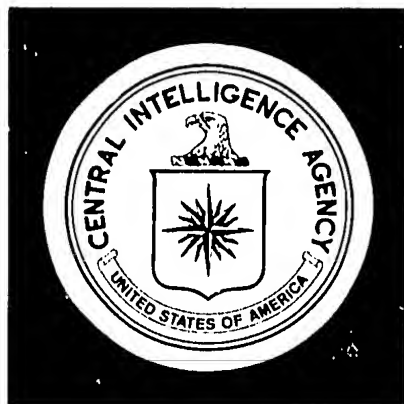


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*Economic Intelligence Weekly*

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NSA review completed

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ECONOMIC INTELLIGENCE WEEKLY

Poor Prospects for Chilean Debt Payments

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Despite debt relief and the recent jump in copper prices, Chile's foreign exchange position remains very tight. The trade balance is heavily in deficit, exchange reserves are exhausted, and foreign credits have been hard to find.

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Although surging copper prices have raised export earnings sharply, agricultural output has dropped and food needs continue to strain import capacity. Imports may have to be cut as much as 10% this year even if copper prices remain high and no debt payments are made to the United States.

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[redacted] Allende wants to improve Chile's financial situation by reaching some sort of agreement with the United States on the expropriation issue. [redacted] Chile may propose arbitration, at bilateral talks this week, of the dispute over compensation for the expropriated copper properties. Arbitration would be acceptable, however, only if the United States agreed to extend loans to cover the compensation payments. [redacted]

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